GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4181
ANSWERED ON:14.12.2001
INSURANCE COMPANIES UNDER TAX NET
AMBATI BRAHMANAIAH

Will the Minister of FINANCE be pleased to state:

(a) whether IRDA has suggested that pension payments from insurance companies mus`t not come under the tax net;

(b) if so, the Government`s reaction to the proposal;

(c) the steps the Government propose to take to encourage LIC activities and savings through such legitimate sources; and

(d) the steps proposed to assist pensioners and others dependent on LiC payments?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB ViKHE PATIL):

(a) and (b) The Insurance Regulatory and Development Authority (IRDA) in their reporbn Pension Reforms in the `Unorganised Sector` have inter-alia recommended tax incentives for encouraging savings. The recommendations in the report would be taken into account by the Government white formulating policy decisions in this regard.

(c) and (d) The premiums paid to the Life Insurance Corporation of India (LIC) for lifeinsurance policy providing for annuity/pension, alongwith other notified savings, qualify for deduction under provisions of various sections of the Income Tax Act, 1961. LIC Pension Fund has also been provided income-tax exemption.

In the competitive environment, it is anticipated that the LIC will be devising newproducts which would assist pensioners and others dependent on LIC payments. LIC has takenvarious steps to popularise their pension plans through its marketing network and advertisements.